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Canada. Parliament. H.C. Standing
Committee on Agriculture and
Colonization

National Farmers Union Memorandum
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Canada, Parliament

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Publications

National Farmers Union



Memorandum

to the

House of Commons Standing Committee on Agriculture and Colonization



on the subject of



Ottawa, Canada,

January 20, 1970

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National Farmers Union
Memorandum
to the
House of Commons Standing Committee on Agriculture and Colonization
on the subject of
The Proposed Reduction of the Dairy Stabilization Program
Ottawa, Canada
January 20, 1970

The Minister of Agriculture has recently announced that the federal dairy subsidy allocation is to be reduced by \$10 million to a level of \$115 million. Your committee has been charged with the responsibility of recommending in what manner the announced expenditure cuts are to be reflected in the 1970-71 dairy program.

As an organization representing our dairy producer members in eight provinces, we are greatly concerned by a number of implications relevant to this action on the part of government. In summary, these include the following:

a) The implication that the present level of dairy subsidies is too high and has resulted in an accumulation of burdensome surpluses.

We question whether such a conclusion could be substantiated. Subsidies have applied only to milk produced under quota as established by the Canadian Dairy Commission. Even so, the level of actual subsidy received by individual producers has been severely cut back for export subsidization by 26¢ per hundredweight on the volume of actual quota itself and a further 52¢ per hundredweight on over-quota production. Where these latter holdbacks have applied, they, too, have been deducted from the amount of subsidy a producer was eligible to receive on his production quota.

The surplus of dairy products cannot, however, be isolated to that volume of milk produced in the manufacturing milk industry, since a cutback of subsidies

1990.09.20
Lund University
Department of Physics

relaxation time constant τ_{rel} and the initial polarization P_0 are given by

respectively, assuming a single exponential behaviour of $P(t)$,
 $\tau_{\text{rel}} = \tau_{\text{rot}}$, we get

$$P(t) = P_0 e^{-t/\tau_{\text{rel}}}.$$

After averaging over time t between t_0 and $t_0 + \Delta t$, we obtain

and the average polarization $\langle P(t) \rangle$ is given by

where $\langle \cos(\theta) \rangle = \frac{1}{2} \left(1 - \frac{\langle P(t) \rangle}{P_0} \right)$. The angle θ is measured between the initial polarization P_0 and the final polarization $P(t)$.

For $\tau_{\text{rot}} = 10$ ns, we get

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in this program will do nothing to reduce surpluses created in the fluid milk section or to reduce the volume of milk and cream produced without the benefit of quota outside of the Canadian Dairy Commission program.

As a consequence we submit a cutback in the level of the present dairy subsidy program cannot guarantee a reduction of surpluses in 1970-71 for two apparent reasons:

- i) Present trends indicate an increase in the levels of efficiency and productivity in dairy herds at the large size farm operation level which, in turn, is reflected in a larger volume of production both in the manufacturing and fluid milk sectors.
- ii) The present difficult income position among thousands of small producers cut from the subsidy program is forcing them to maintain and increase production in the midst of strong advice from government and other sources to diversify and to meet the need, in the absence of alternate income opportunity, to maximize their productive resources.

b) A second concern which bothers us in respect to the proposed cutback is the implication that the \$10 million involved is an action forced upon the government in carrying out its anti-inflationary program.

The income of farmers is currently in a severe state of recession. Farm prices are declining while costs continue to rise. Under present economic circumstances many farmers tend to offset income losses resulting from narrower margins of return by increasing the units of production. This, we submit, has happened in the milk industry.

Farmers are not the contributors toward inflation on the basis of the prices they receive for their products, but are rather its victims and as such deserve to be the recipients of additional financial resources such as the dairy stabilization program.

c) A third concern is the implication that our organization, representing its farmer members, should be called upon to advise government on where to begin in reducing farm income by \$10 million and in so doing become an unwilling accomplice to the deed.

If a real concern of government is, indeed, to reduce surpluses, we submit that there are more positive ways of doing this without requiring a cutback in the overall subsidy program.

We have, on numerous occasions, recommended ways in which domestic consumption of dairy products might be increased through such means as:

- i) A school milk program which would enable children to supplement their home consumption of milk and provide milk to many children who do not receive enough of this important form of nutrition in the home because of economic reasons.
- ii) A food stamp program which would enable low income, old age pensioners, recipients of welfare, the unemployed and our native population to have greater access to dairy products.
- iii) Expansion of our food aid program.

None of these social programs need be financed from the budget allocated to agriculture but would be of immense assistance in expanding consumption.

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In respect to global needs for milk, our dairy program is inward looking. The recent Canadian Agricultural Outlook Conference emphasized only areas of surpluses in reporting on the world situation. The world picture was summarized in two paragraphs as follows:

"The world outlook for dairy products is not encouraging. Since 1967, the E.E.C. Market countries have had a serious imbalance between milk production and consumption. The divergent trends have led to an accumulation of butter and skim milk powder stocks. On September 1, 1969, the six E.E.C. countries had about 990 million pounds of butter in storage. This compares with 825 million pounds in 1968 and 460 million pounds in 1967. Stocks of skim milk powder have also risen, reaching about 950 million pounds in September, 1969.

"Most of the other major milk-producing countries have also shown increases in the last two or three years but not to the same extent. The heavy stocks which have resulted from overproduction have created a problem in world markets and export prices are the lowest in many years."

Meanwhile, at the fifteenth session of the Food and Agriculture Organization being held in Rome, the Director General of FAO, in addressing the conference on November 10 (attended by representatives of the federal department of agriculture, including the minister of agriculture) emphasized his concern for a world shortage of milk in the following terms:

"While we are generally hopeful about prospects, there is one area of special importance where we see trouble coming. This is in products of animal origin, and most particularly milk. Here demand is expected to rise very much more rapidly than in the case of staple foods. Although it would be most desirable, for nutritional as well as economic reasons, that this demand be fully met by production increases, we are frankly pessimistic. The livestock sector now looks like being the weakest link in the agriculture of the developing countries, and we shall have to give it special attention in the years ahead. For meat, the emphasis will be on beef production so far as Africa and most of Latin America are concerned. But in the more densely populated countries, we shall urge that top priority be given to poultry and-- where their meat is acceptable-- to pigs, since they offer the best chances of rapid production increases. The difficulties expected with milk are, however, harder to resolve. It is largely in an attempt to forestall the expected deficit in milk that I have proposed an International Dairy Development Scheme

which the conference will be considering in connection with commodity problems."

We believe that in emphasizing to Canadian producers only the areas of world surplus, the real world need for milk has been taken out of context to reinforce policies for cutbacks in domestic support programs.

Meanwhile, our foreign aid contribution in 1968 as a proportion of national GNP in 1968 was only 0.28 of 1% as against 0.39 average for fifteen countries and a projected target of 1%.

It is our hope that as a nation which possesses the capability of surplus production, our federal approach would be to maximize opportunities for penetrating foreign dairy product markets both commercially and through the medium of aid programs. It is only through production over and above domestic needs that we have had an opportunity to participate in aid programs up to this point in time.

For the reasons outlined, we believe a more positive concept can be applied to the utilization of surplus dairy products, as burdensome as they may now seem to be, without the necessity of applying the economic whip to farmers.

The tendency is to attack the surplus problem on all fronts, but surpluses as such cannot be condemned per se, for without them our external commitments could not be met.

The question which your committee is reviewing cannot, we believe, be adequately considered without endeavoring to isolate the areas in which surplus production has occurred in the past year over and above the previous year.

While we do not possess the relevant details, indications are that one area of increase has been generated from larger sized production units.

In its annual report for the year ended March 31, 1969, the Canadian Dairy Commission observes as follows:

"The trend to larger individual production units continued in 1968-69. The average amount delivered per manufacturing milk shipper in that year was 122,000 lbs. of milk, compared to 107,000 pounds in 1967-68 and 97,000 pounds in 1966-67. The average delivery per cream shipper in 1968-69 was 1,202 pounds of butterfat, compared to 1,074 pounds in 1967-68."

In recent years the Canadian Dairy Commission has increased the upper limits of producer volume for quotas and subsidy eligibility. This has been part of a deliberate policy to reduce the number of milk producers at the lower end of the scale and improve efficiency and productivity at the upper end.

It is not inconceivable that such a policy encourages surplus production at the upper end of the scale on the speculative possibility of being accorded a higher quota with the subsidy in future.

In pursuing an approach to reallocate the quotas of producers who were theoretically squeezed out and reallocating their quotas to producers in the upper levels of production, the Canadian Dairy Commission has seriously miscalculated the result.

Many small producers who needed to maximize their resources could not afford to quit cream shipment, for example, and have continued to do so. The income they have lost has been redirected to larger producers and a "doubling up" of production has resulted.

Larger producers, locked in by high capital investment, too, have needed to maximize production and appear to be examining their potential income on a basis of a weighted average and the hopes of expanding their quota.

We believe any further action which the federal government might take to jeopardize the income of small non-quota producers would be absolutely unacceptable. Their production must be regarded as part of our total domestic requirement. As such, subsidies should have been maintained on their production as a necessary income supplement and should be restored.

That share of the domestic market and reallocated subsidy payments represented by the production of small producers should be removed from the upper quota limit producers until a proper production and subsidy balance is reached.

This reduction in the upper quota limits should also be the area where subsidy cutbacks, if they are to occur, should first be considered.

Any further reduction in the present level of support of \$1.25 per cwt. for manufacturing milk or increases in export holdbacks for surplus dairy products applied against those producers complying with their CDC quotas, would be unacceptable.

If one can come to any conclusion on the matter, it would appear that the present holdbacks amount, in effect, to one class of producer paying for the over-production of another. This being the case, the holdback, if intended as a deterrent to surplus production, is clearly falling short of its objective. This policy needs to be reviewed.

In conclusion, we recommend the committee consider the following points:

- a) That it regard the cream production of small producers who have lost their eligibility for CDC quotas and subsidies as part of the over-all domestic market and restore to them their rights to subsidy payments.

- b) That to the extent that quotas are restored to small producers, the upper quota limit of 400, 000 lbs. be reduced to an appropriate level.
- c) That the upper quota limits be the first to be considered in any over-all subsidy cut-backs.
- d) That no further reduction in the present level of support of \$1.25 per hundredweight for manufacturing milk be considered.
- e) That consideration be given to removing the export hold-back on dairy products produced within a producer's quota as established by the Canadian Dairy Commission.
- f) That immediate efforts be made to expand domestic consumption through school milk programs and social programs for low income classes in our society.
- g) That our commercial export market and our food aid programs be promoted and expanded.

All of which is respectfully submitted by
THE NATIONAL FARMERS UNION.

